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NATURAL GAS PRICES COULD BE HIGHEST EVER THIS WINTER

PSC urges consumers to conserve energy, switch to budget billing plans

FRANKFORT, Ky. (Sept. 7, 2005) – Kentucky consumers should be prepared for the highest natural gas prices ever this winter, the Kentucky Public Service Commission (PSC) says.

"A combination of factors is pushing prices to unprecedented levels," PSC Chairman Mark David Goss said. "Natural gas is likely to cost more than it did during the winter of 2000-2001, when prices set a record."

Consumers should prepare now for the coming heating season.

"Get ready for winter by weatherizing your home," Goss said. "If you haven't already done so, contact your utility about budget billing plans that give you a predictable heating bill every month, so you won't get hit with unexpectedly high bills in the winter."

Natural gas prices have been rising in recent years, but the increase has steepened recently. Prices have gone up this summer, instead of declining as they typically have done during the warmer months. They are at levels twice as high as a year ago.

Several factors are combining to push gas prices higher:

- The rising price of crude oil has helped drive up fossil fuels prices in general.
- A hot summer across much of the nation has increased the use of gas to generate electricity to meet demand caused by air conditioner use. The higher demand for gas has driven up prices.

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- About half the natural gas used for winter heating is put into storage in the summer. In the past, this gas was less expensive and helped offset higher gas prices in the winter. This year, it is costing more than ever.
- Demand for natural gas in North America continues to increase, and new production has been unable to keep pace. The ability to import gas from overseas is limited.

“The supply disruptions caused by Hurricane Katrina simply made a bad situation even worse,” Goss said. “Most of the gas used in this part of the country comes from the Gulf Coast, so we will still be feeling the effects of Hurricane Katrina this winter.”

The ultimate impact on consumers will depend on the weather during the coming heating season, he said. A warm winter that keeps demand in check would help keep prices in check, but cold weather that increases demand could drive prices even higher, Goss said.

“That is why it is so important that consumers do whatever they can to reduce the amount of natural gas they use,” Goss said.

By federal law, natural gas prices are not regulated at the wholesale level, and fluctuate with supply and demand. Under Kentucky statute, gas companies are entitled to recover the wholesale cost of the gas they deliver to customers. The companies’ gas cost adjustments are reviewed by the PSC to make sure they accurately reflect the wholesale cost of gas.

Gas companies use storage and other tools to reduce volatility in the natural gas prices passed on to consumers. Other tools include the use of long-term purchase agreements that provide gas at predictable prices.

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky Inc., Delta Natural Gas Co. Inc., Louisville Gas and Electric Co. and The Union Light, Heat, and Power Co. Together, the five companies serve over 750,000 customers in Kentucky and deliver 176 billion cubic feet of gas annually.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

-30-

CONSUMER INFORMATION SHEET FOLLOWS

COPING WITH HIGH NATURAL GAS PRICES

Information for consumers

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of higher gas costs. They include:

Budget billing: This option allows customers to pay the same amount each month, based on their average monthly usage during the year. Customers should contact their utility for more information.

Energy conservation measures: Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

Energy audits: Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

Weatherization: Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weather-stripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Division of Energy, on the Web at:

<http://www.energy.ky.gov/dre3/>

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COPING WITH HIGH NATURAL GAS PRICES – Page 2

Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Families and Children. For information on weatherization assistance, call 502-564-7536, Extension 4235, or go to:

<http://chfs.ky.gov/dcbs/dfs/Weatherization.htm>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>